1	* * * Findings * * *
2	Sec. 1. FINDINGS
3	The General Assembly finds that:
4	(1) It is in the best interest of the State to promote local economic
5	development and provide options to municipalities to finance the infrastructure
6	for this development.
7	(2) The State has a responsibility to evaluate financing mechanisms to
8	support local economic development while also supporting a statewide policy
9	of fiscal responsibility.
10	(3) The use of tax increment financing has supported economic
11	development in the State, but because of the statewide education tax, it results
12	in forgone revenue to the State's Education Fund each year.
13	(4) Before moving ahead with expanding the use of tax increment
14	financing, an analysis is necessary to measure the value of tax increment
15	financing to a municipality and to the State, and manage the forgone revenue
16	to the Education Fund.
17	(5) Any future use of tax increment financing should evaluate whether
18	there is a way to determine the State's maximum capacity to forgo revenue to
19	the Education Fund each year, and whether the use of tax increment financing
20	should be targeted to specific locations, size, or overall value of a project,
21	rather than on the number of new tax increment financing districts.

1	* * * Additional TIF Districts * * *
2	Sec. 2. 24 V.S.A. § 1892 is amended to read:
3	§ 1892. CREATION OF DISTRICT
4	(a) Upon a finding that such action will serve the public purposes of this
5	subchapter and subject to subsection (d) of this section, the legislative body of
6	any municipality may create within its jurisdiction a special district to be
7	known as a tax increment financing district. The district shall be described by
8	its boundaries and the properties therein and the district boundary shall be
9	shown on a plan entitled "Proposed Tax Increment Financing District
10	(municipal name), Vermont." The legislative body shall hold one or more
11	public hearings, after public notice, on the proposed plan.
12	* * *
13	(d) The following municipalities have been authorized to use education tax
14	increment financing for a tax increment financing district, and the Vermont
15	Economic Progress Council is not authorized to approve any additional tax
16	increment financing districts even if one of the districts named in this
17	subsection is terminated pursuant to subsection 1894(a) of this subchapter:
18	(1) the City of Burlington, Downtown;
19	(2) the City of Burlington, Waterfront;
20	(3) the Town of Milton, North and South;
21	(4) the City of Newport;
22	(5) the City of Winooski;
23	(6) the Town of Colchester;

1	(7) the Town of Hartford;
2	(8) the City of St. Albans;
3	(9) the City of Barre; and
4	(10) the Town of Milton, Town Core; and
5	(11) the City of South Burlington.
6	(e) Annually, the General Assembly may use the estimate of the maximum
7	amount of new long-term net debt that prudently may be authorized for tax
8	increment financing districts in the next fiscal year prepared pursuant to
9	32 V.S.A. § 305b to determine whether to expand the number of tax increment
10	financing districts.
11	Sec. 3. ADDITIONAL TIF DISTRICTS; FINDINGS; APPROVAL
12	(a) The General Assembly finds that:
13	(1) the City of Newport has retired its tax increment financing district
14	and all debt incurred in the district was repaid in 2015; and
15	(2) the Town of Colchester voted to dissolve its tax increment financing
16	district in November 2014.
17	(b) Notwithstanding 24 V.S.A. § 1892(d), and as a result of the termination
18	of the two tax increment financing districts described in subsection (a) of this
19	section, the Vermont Economic Progress Council is authorized to approve two
20	additional tax increment financing districts.

1	* * * Municipal Tax Increment * * *
2	Sec. 4. 24 V.S.A. § 1894 is amended to read:
3	§ 1894. POWER AND LIFE OF DISTRICT
4	(a) Incurring indebtedness.
5	(1) A municipality approved under 32 V.S.A. § 5404a(h) may incur
6	indebtedness against revenues of the tax increment financing district at any
7	time during a period of up to five years following the creation of the district. If
8	no debt is incurred during this five-year period, the district shall terminate,
9	unless the Vermont Economic Progress Council grants an extension to a
10	municipality pursuant to subsection (d) of this section. However, if any
11	indebtedness is incurred within the first five years after the creation of the
12	district, then the district has a total of ten years after the creation of the district
13	to incur any additional debt.
14	* * *
15	(c) Use of the municipal property tax increment. For only debt incurred
16	within the period permitted under subdivision (a)(1) of this section after
17	creation of the district, and related costs, not less than an equal share 100
18	percent of the municipal tax increment pursuant to subsection (f) of this section
19	shall be retained to service the debt, beginning the first year in which debt is
20	incurred, pursuant to subsection (b) of this section.
21	* * *
22	(f) Equal share required Required share of increment. If any tax increment
23	utilization is approved pursuant to 32 V.S.A. § 5404a(h), no not more than 75

1	percent of the State property tax increment and no not less than an equal
2	percent 100 percent of the municipal tax increment may be approved by the
3	Council or used by the municipality to service this debt.
4	* * *
5	* * * Education Property Tax Increment * * *
6	Sec. 5. 32 V.S.A. § 305b is added to read:
7	§ 305b. EDUCATION PROPERTY TAX INCREMENT; EMERGENCY
8	BOARD ESTIMATE
9	(a) Annually, at the January meeting of the Emergency Board held pursuant
10	to section 305a of this title, the Joint Fiscal Office and the Secretary of
11	Administration shall provide to the Emergency Board a consensus estimate of
12	forgone revenue from the Education Fund resulting from the retention of
13	education property tax increment by tax increment financing districts
14	authorized pursuant to 24 V.S.A. chapter 53 and section 5404a of this title.
15	The estimate shall be for the succeeding fiscal year. The Emergency Board
16	shall adopt an official estimate of forgone revenue from the Education Fund at
17	the January meeting.
18	(b) Annually, on or before September 30 of each year, the Emergency
19	Board shall review the size and affordability of the net indebtedness for tax
20	increment financing districts and submit to the Governor and to the General
21	Assembly an estimate of the maximum amount of new long-term net debt that
22	prudently may be authorized for tax increment financing districts in the next

1	fiscal year. The estimate of the Committee shall be advisory, and shall take
2	into consideration:
3	(1) any existing or new debt incurred by authorized tax increment
4	financing districts; and
5	(2) the impact of the amount of the indebtedness on the General and
6	Education Fund revenues.
7	Sec. 6. 16 V.S.A. § 4025 is amended to read:
8	§ 4025. EDUCATION FUND
9	(a) An Education Fund is established to comprise the following:
10	(1) All revenue paid to the State from the statewide education tax on
11	nonresidential and homestead property under 32 V.S.A. chapter 135.
12	(2) For each fiscal year, the amount of the general funds appropriated
13	and transferred to the Education Fund shall be \$305,900,000.00, to be
14	increased annually beginning for fiscal year 2018 by the consensus Joint Fiscal
15	Office and Administration determination of the National Income and Product
16	Accounts (NIPA) Implicit Price Deflator for State and Local Government
17	Consumption Expenditures and Gross Investment as reported by the U.S.
18	Department of Commerce, Bureau of Economic Analysis through the fiscal
19	year for which the payment is being determined, plus an additional one-tenth
20	of one percent, plus an amount equal to one-half of the official estimate of
21	forgone revenue from the Education Fund adopted by the Emergency Board
22	pursuant to section 305b of this title.
23	* * *

1	* * * Criteria for TIF Approval * * *
2	Sec. 7. 32 V.S.A. § 5404a(h) is amended to read:
3	(h) Criteria for approval. To approve utilization of incremental revenues
4	pursuant to subsection (f) of this section, the Vermont Economic Progress
5	Council shall do all the following:
6	(1) Review Conduct a review of each application to determine that the
7	new real property development would not have occurred or would have
8	occurred in a significantly different and less desirable manner but for the
9	proposed utilization of the incremental tax revenues. The review ,that shall
10	take into account:
11	(A) the amount of additional time, if any, needed to complete the
12	proposed development within the tax increment district and the amount of
13	additional cost that might be incurred if the project were to proceed without
14	education property tax increment financing;
15	(B) how the proposed development components and size would
16	differ, if at all, including, if applicable to the development, in the number of
17	units of affordable housing, as defined in 24 V.S.A. § 4303, without education
18	property tax increment financing; and
19	(C) the amount of additional revenue expected to be generated as a
20	result of the proposed development; the percentage of that revenue that shall be
21	paid to the education fund Education Fund; the percentage that shall be paid to
22	the municipality; and the percentage of the revenue paid to the municipality

1	that shall be used to pay financing incurred for development of the tax
2	increment financing district.
3	* * *
4	(3) Location criteria. Determine that each application meets one of the
5	following criteria:
6	(A) The development or redevelopment is compact, high density, and
7	located in or near existing industrial areas.
8	(B) The proposed district is within an approved growth center,
9	designated downtown, designated village center, or new town center, or
10	neighborhood development area.
11	(C) The development will occur in an area that is economically
12	distressed, which for the purposes of this subdivision means that the area has
13	experienced patterns of increasing unemployment, a drop in average wages, or
14	a decline in real property values municipality in which the area is located has
15	at least one of the following:
16	(i) a median family income that is not more than 80 percent of the
17	statewide median family income as reported by the Vermont Department of
18	Taxes for the most recent year for which data are available;
19	(ii) an annual average unemployment rate that is at least one
20	percent greater than the latest annual average statewide unemployment rate as
21	reported by the Vermont Department of Labor; or
22	(iii) a median sales price for residential properties under six acres
23	that is not more than 80 percent of the statewide median sales price for

1	residential properties under six acres as reported by the Vermont Department
2	of Taxes.
3	(4) Project criteria. Determine that the proposed development within a
4	tax increment financing district will accomplish at least three two of the
5	following five four criteria:
6	(A) The development within the tax increment financing district
7	clearly requires substantial public investment over and above the normal
8	municipal operating or bonded debt expenditures.
9	(B) The development includes new or rehabilitated affordable
10	housing that is affordable to the majority of the residents living within the
11	municipality and is developed at a higher density than at the time of
12	application. "Affordable" has the same meaning as in 10 V.S.A. § 6001(29),
13	as defined in 24 V.S.A. § 4303.
14	(C)(B) The project will affect the remediation and redevelopment of
15	a brownfield located within the district. As used in this section, "brownfield"
16	means an area in which a hazardous substance, pollutant, or contaminant is or
17	may be present, and that situation is likely to complicate the expansion,
18	development, redevelopment, or reuse of the property.
19	(D)(C) The development will include at least one entirely new
20	business or business operation or expansion of an existing business within the
21	district, and this business will provide new, quality high-quality, full-time jobs
22	that meet or exceed the prevailing wage for the region as reported by the
23	department of labor Department of Labor.

1	(E)(D) The development will enhance transportation by creating
2	improved traffic patterns and flow or creating or improving public
3	transportation systems.
4	* * *
5	* * * Municipal-Only TIF Districts * * *
6	Sec. 8. 24 V.S.A. chapter 53, subchapter 5 is redesignated to read:
7	Subchapter 5. Statewide Tax Increment Financing
8	Sec. 9. 24 V.S.A. chapter 53, subchapter 6 is added to read:
9	Subchapter 6. Municipal Tax Increment Financing
10	§ 1903. DEFINITIONS
11	As used in this subchapter:
12	(1) "District" or "TIF" means a tax increment financing district.
13	(2) "Improvements" means the installation, new construction, or
14	reconstruction of infrastructure to benefit a municipal tax increment financing
15	district, including utilities, transportation, public facilities and amenities, land
16	and property acquisition and demolition, and site preparation.
17	(3) "Legislative body" means the mayor and alderboard, the city
18	council, the selectboard, or the president and trustees of an incorporated
19	village, as appropriate.
20	(4) "Municipality" means a city, town, or incorporated village.
21	(5) "Original taxable value" means the total valuation as determined in
22	accordance with 32 V.S.A. chapter 129 of all taxable real property located
23	within the tax increment financing district as of the creation date as set forth in

1	section 1904 of this subchapter, provided that no parcel within the district shall
2	be divided or bisected by the district boundary.
3	(6) "Related costs" means expenses incurred and paid by the
4	municipality, exclusive of the actual cost of constructing and financing
5	improvements, that are directly related to the creation and implementation of a
6	municipal tax increment financing district, including reimbursement of sums
7	previously advanced by the municipality for those purposes, direct municipal
8	expenses such as departmental or personnel costs related to creating or
9	administering the project, and audit costs allocable to the district.
10	§ 1904. MUNICIPAL TAX INCREMENT FINANCING DISTRICT
11	(a) General authority. Notwithstanding any provision of subchapter 5 of
12	this chapter or 32 V.S.A. § 5404a to the contrary, upon approval of the
13	legislative body of any municipality, a municipality may create a municipal tax
14	increment financing district, and may incur debt to provide funding for
15	improvements and related costs for the district.
16	(b) Municipal approval; voter approval.
17	(1) The legislative body of the municipality shall hold one or more
18	public hearings to consider a municipal tax increment financing plan.
19	Following public notice, hearing, and opportunity to comment, the legislative
20	body of the municipality may grant approval of the plan.
21	(2) When adopted by the act of the legislative body of that municipality,
22	the plan shall be recorded with the municipal clerk and lister or assessor, and

1	the creation of the district shall occur at 12:01 a.m. on April 1 of the calendar
2	year so voted by the municipal legislative body.
3	(3) The municipality may only incur debt for the project if the voters of
4	the municipality approve the debt obligation by a majority vote at a regular or
5	special meeting for which voting upon the debt obligation was properly
6	warned.
7	(4) Following final voter approval, the municipality has up to five years
8	to incur debt pursuant to the financing plan.
9	(c) Life of district.
10	(1) A municipality may incur indebtedness against revenues of the
11	municipal tax increment financing district over any period authorized by the
12	legislative body of the municipality.
13	(2) Any indebtedness incurred under subdivision (1) of this subsection
14	may be retired over any period authorized by the legislative body of the
15	municipality.
16	(3) The district shall continue until the date and hour the indebtedness is
17	retired or, if no debt is incurred, after the period authorized by the legislative
18	body of the municipality to incur indebtedness.
19	(d) Financing. During the life of an active district, the following apply,
20	notwithstanding any provision of law to the contrary:
21	(1) Valuation.
22	(A) Within 30 days of voter approval pursuant to subsection (b) of
23	this section, the lister or assessor for a municipality shall certify to the

1	legislative body of the municipality the original taxable value of a tax
2	increment financing district as of the date the voters approved the debt
3	obligation.
4	(B) On or before June 30 following voter approval and annually
5	thereafter, the lister or assessor shall assess and certify to the legislative body
6	the current value of a project parcel.
7	(2) Tax rate.
8	(A) The lister or assessor shall use the original taxable value of a
9	project parcel when computing the municipal tax rate.
10	(B) When calculating the amount of tax due on a project parcel, the
11	treasurer shall apply the municipal tax rate to the current assessed value, rather
12	than the original taxable value.
13	(3) Tax increment.
14	(A) The "tax increment" is the amount of tax paid on a project parcel,
15	as calculated pursuant to subdivision (2)(B) of this subsection (d) using the
16	current assessed value, that exceeds the amount of tax that would have been
17	due if the tax rate were applied to the original taxable value.
18	(B) The municipality may retain any share of the municipal tax
19	increment to service the debt, beginning the first year in which debt is incurred.
20	(C) A municipal tax increment financing district created pursuant to
21	this subchapter is not authorized to retain any education property tax
22	increment.

1	(D) A municipality shall segregate the tax increment in a special
2	account and in its official books and records.
3	(4) Use of tax increment.
4	(A) As of each date the municipality receives a tax payment and
5	retains a portion of the tax increment pursuant to this section, the municipality
6	shall use the portion of the municipal tax increment that is necessary to pay
7	costs actually incurred as of that date for debt service and related costs.
8	(B) If, after paying for improvements and related costs, there remains
9	any excess portion of the tax increment, the municipality may retain the
10	increment to prepay principal and interest on the financing, use for future
11	financing payments, or use for defeasance of the financing.
12	(e) Annual audit.
13	(1) The municipality shall ensure that the segregated account for the tax
14	increment financing district required by this act is subject to the annual audit
15	requirements prescribed in sections 1681 and 1690 of this title.
16	(2) Any audit procedures shall include verification of the original
17	taxable value and current assessed value, expenditures for project debt service
18	and related costs, annual and total tax increment funds generated, and
19	allocation of tax increment funds.